

FISCAL NOTE

Bill #: HB0638 **Title:** Corporate accountability for public investment
Primary Sponsor: Kaufmann, C **Status:** As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Expenditures:		
General Fund	\$35,000	\$20,000
Revenue:	\$0	\$0
Net Impact on General Fund Balance:	(\$35,000)	(\$20,000)

<input checked="" type="checkbox"/> Significant Local Gov. Impact	<input checked="" type="checkbox"/> Technical Concerns
<input type="checkbox"/> Included in the Executive Budget	<input type="checkbox"/> Significant Long-Term Impacts
<input type="checkbox"/> Dedicated Revenue Form Attached	<input checked="" type="checkbox"/> Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Department of Commerce

1. HB 638 is very similar to HB 394, which was introduced in the 2001 session, with the exception being HB 638 is less restrictive to local governments than its predecessor. HB 394 would have applied to all local governments with a population greater than 2,500, while HB 638 would apply to all local governments with a population greater than 10,000.
2. Business subsidy" or "subsidy" means a state government agency or local government agency grant, a contribution of personal property, real property, or infrastructure, the principal amount of a loan at rates below those commercially available to the recipient, a reduction or deferral of any tax or fee, a guarantee of payment under loan, lease, or other obligation, or any preferential use of government facilities given to a business. "Local government agency" includes a county, a city or town, a housing authority, a port authority, an airport authority, a community development agency, a nonprofit entity created by a local government agency, or any other entity created by or authorized by a local government with authority to provide business subsidies.
3. Grantors are required to monitor the progress of all recipients in achieving subsidy agreement goals and objectives and forward annual reports to the Department of Commerce by April 1 each year. The Department of Commerce is required to analyze, compile, and publish a statewide report by August 1 of each year. "Among the information in the summary and compilation report, the department shall include:
 - a. total amount of subsidies awarded in each region of the state;
 - b. distribution of business subsidy amounts by size of the business subsidy;

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- c. distribution of business subsidy amounts by time category;
 - d. distribution of subsidies by type and by public purpose;
 - e. percent of all business subsidies that reached their goals;
 - f. percent of recipients that did not reach their goals within 2 years after the benefit date;
 - g. total dollar amount paid to recipients that did not meet their goals after 2 years from the benefit date;
 - h. percent of recipients that did not meet their goals and that did not make repayment;
 - i. list of recipients that failed to meet the terms of a subsidy agreement in the past 5 years and that did not satisfy their repayment obligations;
 - j. number of part-time and full-time jobs within separate bands of wages; and
 - k. benefits paid within separate bands of wages.”
4. The department would contract with outside vendors to analyze and compile the statewide report. It is estimated that such a contract would cost approximately \$15,000 each year, and that publishing and mailing costs would be \$5,000 each year.
5. The department would be required to develop a database to contain relevant historical information for all reporting entities to meet the requirements of Section 8 (2), which states: “The department shall coordinate the production of reports so that useful comparisons across time periods and across grantors can be made.” It is estimated that development of the database, which would be done by an outside contractor, would cost \$15,000 in FY 2004.

FISCAL IMPACT:

	FY 2004 <u>Difference</u>	FY 2005 <u>Difference</u>
Department of Commerce Local Gov't Services		
<u>Expenditures:</u>		
Operating Expenses	\$35,000	\$20,000
<u>Funding of Expenditures:</u>		
General Fund (01)	\$35,000	\$20,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$35,000)	(\$20,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Department of Commerce

1. Reporting, public notice and hearings will be increased and create ongoing expenses for local governments.
2. Initial one-time costs for redevelopment of grant and loan agreements and the establishment of new procedures will be required to comply with HB 638. Included in this requirement are all cities and towns greater than 10,000 in population, all counties, all conservation districts, many water and sewer districts, refuse districts, and many other forms of state and local governments. HB 638 also would require changes to local governmental accounting procedures.

Department of Administration

3. A local government or local government agency which provides business subsidies to recipients will incur nominal costs in awarding these subsidies, monitoring the progress of the recipients in achieving the goals of the subsidy agreements and in filing the required reports with the department.

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TECHNICAL NOTES:

Department of Commerce

1. New Section 7 (1) requires local governments, with a population greater than 10,000, and all state agencies to file a report with the Department of Commerce “regardless of whether or not they have awarded any business subsidies.” This requirement may result in excess reporting.
2. New Section 9 states: “(a) an appropriation to a state government agency that specifies that an appropriation be granted to a particular business ... must contain a statement of the expected benefits associated with the grant.” The Montana Constitution prohibits appropriations being made to a particular business. Therefore, this clause is unnecessary.

Department of Administration

3. Section 5. (1) The last phrase in the second sentence of this subsection is confusing and does not seem to clarify the intent of the sentence.
4. Section 7 (1). Local governments with a population of more than 10,000 must file the report specified in Section 6 by April 1 of each year. Local governments with a population of less than 10,000 that have not awarded a business subsidy in the past 5 years are exempt from filing this report. However, this section does not specifically state whether a local government with a population less than 10,000 that has awarded a business subsidy in the past 5 years must file the report specified in Section 6.